

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0112

**In the Matter of the Rehabilitation of
US International Reinsurance Company**

VERIFIED PETITION FOR ORDER OF LIQUIDATION

1. Paula T. Rogers, Commissioner of Insurance for the State of New Hampshire (the "Commissioner"), as Rehabilitator of US International Reinsurance Company ("USI Re") hereby petitions the Court pursuant to RSA: 402-C:5, RSA 402-C:19 and RSA 402-C:20 for an order directing her to liquidate USI Re, appointing her Liquidator of the company and entering the requested permanent injunctions. This Court has jurisdiction of this matter pursuant to RSA 402-C:5, RSA 402-C:19 and RSA 402-C:20.

2. The Commissioner states that she is the duly appointed and qualified Commissioner of Insurance of the State of New Hampshire.

3. USI Re is a New Hampshire corporation with its statutory offices at 286 Commercial Street, Manchester, New Hampshire 03101-1138. USI Re is a New Hampshire-domiciled insurance company authorized by, licensed by, and subject to regulation by the New Hampshire Insurance Department ("Department").

4. USI Re is currently under an Order of Rehabilitation entered by this Court on March 12, 2003.

5. USI Re is an indirect, wholly owned subsidiary of The Home Insurance Company ("The Home"), and The Home is USI Re's principal reinsurer.

6. An Order of Rehabilitation entered by this Court on March 5, 2003, in case Docket No. 03-E-0106, placed The Home in rehabilitation and appointed her as Rehabilitator of The Home.

7. The Commissioner states that, contemporaneous with the filing of this Verified Petition, she has filed a Verified Petition for an Order of Liquidation in The Home rehabilitation proceeding, No. 03-E-0106, requesting that the Court place The Home in liquidation and appoint her as Liquidator of The Home, on the ground that The Home is insolvent within the meaning of RSA 402-C:3, XIV(b), and RSA 402-C:20, II.

8. Among USI Re's principal assets are receivables from its parent, The Home, and reinsurance ceded to The Home which will be payable in the future. Due to The Home's insolvency, the collection of these assets is highly unlikely. The Commissioner has accordingly determined that USI Re is insolvent within the meaning of RSA 402-C:3, XIV(b), and RSA 402-C:20, II. A pro forma balance sheet for USI Re as of December 31, 2002, reflecting the uncollectibility of these assets is attached as Exhibit A.

9. The Commissioner has also determined that further attempts to rehabilitate USI Re would be futile within the meaning of RSA 402-C:19, I.

10. For these reasons, the Commissioner has determined that there exists a present necessity for the entry of an order of liquidation pursuant to RSA 402-C:19 and 20 and requests that this Court appoint the Commissioner, and her successors in office, as Liquidator of USI Re in order to protect the interests of policyholders, creditors and the public.

11. The Commissioner states that in order to preserve the aforementioned interests and conduct a successful liquidation of USI Re, all actions and other proceedings against USI Re should be abated and terminated in accordance with RSA 402-C:28. Actions and proceedings against USI Re were previously stayed by paragraph (g) of the Order of Rehabilitation, as amended.

12. A proposed liquidation order declaring USI Re to be insolvent, appointing the Commissioner as Liquidator of USI Re, and abating actions and proceedings against USI Re accompanies this Petition and is consistent with the authority set forth in RSA 402-C.

13. A motion for order of notice and proposed order of notice setting forth the notice to be provided by the Liquidator, if appointed, of the liquidation order and claims filing deadline pursuant to RSA 402-C:26 will be filed in advance of the hearing on this Petition.

WHEREFORE, the Commissioner, pursuant to the provisions of RSA 402-C:5, RSA 402-C:19 and RSA 402-C:20, prays that this Court:

1. Enter a liquidation order for USI Re pursuant to RSA 402-C:21 granting the following relief:

- (a) A Declaration that USI Re is insolvent;
- (b) A Finding that sufficient cause exists for an order to liquidate USI Re;
- (c) An Order appointing Paula T. Rogers, Commissioner of Insurance for the State of New Hampshire, and her successors in office, as Liquidator of USI Re;
- (d) An Order directing that the Liquidator forthwith take possession of the assets of USI Re and administer them under the orders of the Court and vesting the

Liquidator with title to all of the property, contracts and rights of action and all of the books and records of USI Re, wherever located and by whomever possessed;

(e) An Order directing the Liquidator to secure all of the assets, property, books, records, accounts and other documents of USI Re (including, without limitation, all data processing information and records comprised of all types of electronically stored information, master tapes, source codes, passwords, or any other recorded information relating to USI Re);

(f) An Order authorizing the Liquidator to transfer, invest, re-invest and otherwise deal with the assets and property of USI Re so as to effectuate its liquidation;

(g) An Order authorizing the Liquidator to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon or otherwise dispose of or deal with any property of the insurer at its market value or upon such terms and conditions as are fair and reasonable without prior permission of the Court in the ordinary course of business;

(h) An Order prohibiting USI Re and its directors, officers, employees, agents, and representatives from proceeding with the business of USI Re, except upon the express written authorization of the Liquidator;

(i) An Order prohibiting USI Re and its directors, officers, employees, agents, and representatives, and any persons acting in concert with USI Re, from disposing, using, transferring or removing any property of USI Re, without the express written authorization of the Liquidator, or in any way (i) interfering with the conduct of the Liquidator or (ii) interfering with the Liquidator's possession and rights to the assets and property of USI Re;

(j) An Order prohibiting any bank, savings and loan association or other financial institution or other legal entity from disposing of or allowing to be withdrawn in any manner property or assets of USI Re, except under the express written authorization of the Liquidator or by further order of this Court.

(k) An Order directing that all actions and all proceedings against USI Re whether in this state or elsewhere shall be abated in accordance with RSA 402-C:28 and RSA 402-C:5, except to the extent the Liquidator sees fit and obtains leave to intervene;

(l) An Order directing that, to the full extent of the jurisdiction of the Court and the comity to which the orders of the Court are entitled, all persons are hereby permanently enjoined and restrained from any of the following actions:

(1) commencing or continuing any judicial, administrative, or other action or proceeding against USI Re;

(2) enforcing any judgment against USI Re or its property;

(3) any act to obtain possession of property of USI Re or to exercise control over property of USI Re;

(4) any act to create, perfect, or enforce any lien against property of USI Re;

(5) any act to collect, assess, or recover a claim against USI Re, other than the filing of a proof of claim with the Liquidator; and

(6) the setoff of any debt owing to USI Re; provided, however, that notwithstanding anything in this Petition to the contrary, nothing herein is intended nor shall it be deemed to stay any right of setoff of mutual debts or mutual credits by reinsurers as provided in and in accordance with RSA 402-C:34;

(m) An Order seeking and requesting the aid and recognition of any Court or administrative body in any State or Territory of the United States and any Federal Court or administrative body of the United States, any Court or administrative body in any Province or Territory of Canada and any Canadian Federal Court or administrative body, and any Court or administrative body in the United Kingdom or elsewhere to act in aid of and to be complementary to this Court in carrying out the terms of the Order;

(n) An Order directing that all persons doing business with USI Re on the date of the Liquidation Order are permanently enjoined and restrained from terminating or attempting to terminate such relationship for cause under contractual provisions on the basis of the filing of the petition to rehabilitate USI Re, USI Re's assent to the entry of the Rehabilitation Order, the entry of the Rehabilitation Order, the filing of this Petition, the entry of the Liquidation Order, the rehabilitation or liquidation proceedings for USI Re, or USI Re's financial condition during the rehabilitation or liquidation proceedings.

(o) An Order directing all persons in custody or possession of any property of USI Re to turn over any such property to the Liquidator;

(p) An Order authorizing the Liquidator, in her discretion, to pay expenses incurred in the course of liquidating USI Re, including the actual, reasonable, and necessary costs of preserving or recovering the assets of USI Re, wherever located, and the costs of goods and services provided to USI Re estate in this and other jurisdictions. Such costs shall include, but not be limited to: (1) reasonable professional fees for accountants, actuaries, attorneys and consultants with other expertise retained by the Department, the Commissioner or the Liquidator to perform services relating to the liquidation of USI Re or the feasibility, preparation, implementation, or operation of a

liquidation plan; (2) compensation and other costs related to representatives, employees or agents of USI Re or its affiliates who perform services for USI Re in liquidation; and (3) the costs and expenses of and a reasonable allocation of costs and expenses associated with time spent by Department personnel and New Hampshire Department of Justice personnel in connection with the rehabilitation and liquidation of USI Re;

(q) An Order directing that the Liquidator may employ or continue to employ, to delegate authority to and fix the compensation of such appropriate personnel, including actuaries, accountants, consultants, special counsel, and counsel in this and other jurisdictions, as she deems necessary to carry out the liquidation of USI Re and its worldwide operations, subject to compliance with the provisions of RSA 402-C, the supervision of the Liquidator, and of this Court, and authorizing the Liquidator to continue at her sole discretion to retain the services of Risk Enterprise Management Limited, subject to court approval;

(r) An Order authorizing the Liquidator to appoint, and determine the compensation and terms of engagement of, a special deputy to act for her pursuant to RSA 402-C:25, I;

(s) An Order stating that the actual, reasonable and necessary costs of preserving, recovering, distributing or otherwise dealing with the assets of USI Re, wherever located, and the costs of goods or services provided to USI Re estate under paragraph (i) of the Rehabilitation Order, during the Rehabilitation proceeding, and under the applicable paragraphs of the Liquidation Order, during the Liquidation proceeding, will be treated as "costs and expenses of administration," pursuant to RSA 402-C:44, I;

(t) An Order authorizing and directing that the Liquidator work with any joint provisional liquidator or other person of comparable position appointed by a foreign tribunal with respect to all or any portion of the estate of USI Re located outside the United States (the "foreign estates") for the purpose of preserving, recovering and incorporating into the domiciliary estate all assets of USI Re located outside the United States, and authorizing the Liquidator to fund from the domiciliary estate the costs and expenses of administering the foreign estates;

(u) An Order directing that the Liquidator administer and make payments on all claims against USI Re estate filed with the Liquidator in the domiciliary proceeding, including the claims of claimants residing in foreign countries (provided the assets of such foreign estate are transferred to the Liquidator), in accordance with New Hampshire's priority statute, RSA 402-C:44;

(v) An Order stating that the amounts recoverable by the Liquidator from any reinsurer of USI Re shall not be reduced as a result of the prior rehabilitation proceeding or this liquidation proceeding or by reason of any partial payment or distribution on a reinsured policy, contract or claim, and each reinsurer of USI Re is, without first obtaining leave of this Court, hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance policy or contract with USI Re. The Liquidator may, in her discretion, commute any contract with a reinsurer or reinsurers;

(w) An Order directing that, to the full extent of the jurisdiction of the Court and the comity to which the orders of the Court are entitled, all actions or proceedings against an insured of USI Re in which USI Re has an obligation to defend

the insured are stayed for a period of six months from the date of the Order and such additional time as the Court may determine;

(x) An Order directing that, within one year of the entry of this Order, and then annually thereafter, the Liquidator shall file with the Court a financial report as of the preceding December 31, in accordance with RSA 402-C:21, V, which shall include, at a minimum, the assets and liabilities of USI Re and all funds received or disbursed by the Liquidator during the period;

(y) An Order that the Liquidator shall have full powers and authority given the Liquidator under RSA 402-C of Title XXXVII, and under provisions of all other applicable laws, as are reasonable and necessary to fulfill the duties and responsibilities of the Liquidator under RSA 402-C of Title XXXVII, and under the Order, specifically including, but not limited to, each and every power and authority bestowed upon the Liquidator under RSA 402-C:25, I-XXII, the provisions of which are incorporated by reference in their entirety into the Order, and the common law of New Hampshire;

(z) An Order specifying that the deadline for the filing of claims pursuant to RSA 402-C:26, II, RSA 402-C:37, I, and RSA 402-C:40, II will be one year from the date of the Order; and,

(aa) An Order directing that the proceedings initiated under RSA 402-C:15 for USI Re are hereby terminated.

2. Grant further and other relief as this Court may deem just and proper under the circumstances.

Respectfully submitted,

NEW HAMPSHIRE INSURANCE
DEPARTMENT
PAULA T. ROGERS, COMMISSIONER

By her attorneys

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Dated: May ___, 2003

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

Paula T. Rogers, being duly sworn, says that she is the duly appointed and qualified Commissioner of Insurance of the State of New Hampshire and Plaintiff in this matter and that the facts and allegations made in this Petition are true and accurate to the best of her knowledge and belief.

Paula T. Rogers

Subscribed and sworn to, before me, this _____ [th/d] day of May, 2003

Notary Public/Justice of the Peace

